



December 23, 2002 DEPARTMENT OF ADMINISTRATION

Board of Supervisors
Waukesha County Courthouse
515 West Moreland Boulevard
Waukesha, Wisconsin 53188

Honorable County Board Members:

Submitted herein is the County's 2003 Budget as adopted by the County Board of Supervisors. The 2003 Waukesha County Budget theme "Performance with Integrity" reflects our commitment to our citizens that we will maintain the public's trust in providing quality services in a prudent and fiscally responsible manner.

Waukesha County will continue to lead the way among counties in the State of Wisconsin, and the nation. The County continues to perform with integrity in financial management and budgeting by controlling spending, limiting tax increases, and balancing the need for service with the taxpayers ability to pay for quality government services.

MANAGING SPENDING AND TAXES

This is a difficult period for most local governments in Wisconsin. As the economy is slow to recover, revenues from Federal and State sources are stagnate or dwindling, and health care costs are skyrocketing. These issues taken together have made this year's budget one of the most challenging to assemble in over a decade. Yet this budget continues to meet priority needs while dealing with the formidable economic impacts.

The 2003 Adopted budget tax levy rate declines from last years level by \$0.11 per \$1,000 property valuation from \$2.42 to \$2.31, a decrease of 4.5%. Since 1990, the tax rate has been reduced by \$1.02 or over 30% from \$3.33 to \$2.31 per \$1,000 of property value.

The 2002 general County property tax of \$78,065,454 (for 2003 budget purposes) represents an increase of \$2,842,325 or 3.78% from the 2001 tax levy. As discussed below, at least half of the increase can be attributed to the dramatic increase in employee health care costs impacting the budget.

The County's 2003 budget appropriations total \$229,287,973, which consists of capital project spending of \$29,638,300 and operating expenditures of \$199,649,673. The operating expenditure increase is maintained at about 4.77% even after absorbing the skyrocketing health insurance cost impacts (an increase of \$2.4 million). Future year (2004-2006) operating costs will be higher from the impacts of partnering with most municipalities to provide shared dispatch services (beginning in 2004) and the Justice Facility expansion project first year operating impacts (2005).

A key factor in maintaining budgets with modest expenditure and tax levy increases is our ability to keep our labor force relatively stable. Despite continued growth of the County, greater demands for services, this budget includes only a net 1.31 FTE newly authorized positions. Personnel costs are contained at an increase of approximately 5.5% including recent dramatic increases in health insurance costs indicated above.

IMPACT ON HOMEOWNERS

The tax bill impact on County residential taxpayers, based on an average home value at nearly \$205,000, as determined by the 2000 census and adjusted for residential market inflation, will result in a County tax increase of 1.7% or \$8.10 from last year. Due to varied municipal property assessment ratios to equalized values as determined by the State Department of Revenue and market inflation on property values, the tax bill impact on the County's equalized tax rate of \$2.31 per \$1,000 of property value will vary.

BUDGET DRIVERS

Again, this year's budget has been prepared under very difficult circumstances, but department heads and their staff have risen to the challenge, with creativity, innovation, and cost effective priority setting to meet the County Executive's tax levy increase goal. This year's challenge again results mainly from the continuing dramatic increases in employee health care insurance costs. During most of the 1990's, health care inflation had been increasing on average at about 8% annually, while this budget reflects an average increase of about 27% or \$1.6 million greater than the past trend.

The absence of a continued State/County partnership especially to fund the State Circuit Court system and Human Services programs places significant pressure on maintaining service levels and increases the County's tax levy support. It has been publicized that the State budget for the 2003-2005 biennium will have a structural deficit currently estimated at over \$2.8 billion. Many uncertain factors that may arise from State budget reductions including responsibilities being shifted to local government without associated funding are not yet determined. Some of these unknown factors will likely come into focus during 2003 requiring some adjustments on our part

For the past seven years, the State budget has provided no increase in the County's major Human Services funding source, the Basic County Allocation (BCA). This lack of increase in BCA is a significant driver increasing Health and Human Services local levy need by \$1.1 million in this budget.

The State budget repair bill did nothing to change a difficult long-term provision that modifies the W-2 program for food stamps and medical assistance programs back to the welfare programs of the mid-1990's. This provision continues to threaten the future of the County's highly successful welfare to work programs by creating a future potential funding gap of more than \$300,000 per year.

Certain lower priority Human Services programs are reduced in this budget due to fiscal pressures. Reductions include plans to downsize and phase out the BASIC (Basic Assistance and Services for Individuals in Crisis) medical program. The Public Health division will eliminate its vision/hearing screening clinics, and limit its sexually transmitted disease clinics to provide services on an appointment only basis saving nearly \$100,000 in tax increases. In addition, 3.0 FTE regular full time positions are not funded and 3.35 FTE temporary extra help position funding has been reduced totaling nearly \$210,000 that is reallocated to higher priority Human Service areas.

Despite increasing court fee charges, the State has not provided for additional State circuit court support grant funding allocations to counties, but absorbs the increased revenues into the state budget. Since these revenues are sent to Madison to fund state government, the County will levy nearly \$260,000 of additional property taxes to support State courts for 2003.

Other significant budget driver impacts include the following:

- ◆ Human Services Long-Term Care has been a major State funding priority for a number of years. The State continues this priority in 2003 by providing the County \$2.3 million in federal/state pass through funding for Community Options, Community Integration and development disability programs. This saves the State medical assistance costs by keeping individuals out of high cost institutional settings. Part of this funding provides for \$1.8 millions of additional expenditure appropriation as the result of higher costs of care per day that is required for more complex services to keep eligible clients living in the community who are frail elderly, mentally ill, or who have physical or developmental disabilities.
- ◆ Human Services Developmental Disabilities budget includes expenditures increases of over \$750,000 and additional County tax levy of \$322,000 for intensive treatment services (mandated) for six court ordered individuals required to be placed at state centers, increases in the number of days of client care and inflationary cost increases for existing client care.
- ◆ Human Services Mental Health Outpatient Services budget includes additional tax levy for contractual service cost increases of \$286,000 for existing mental health care purchased services and \$125,000 for mental health outpatient client medication costs (a 32% increase) to keep chronically mental ill individuals stabilized in the community.
- ◆ Human Services Birth to Three program for children who have developmental delays or disabilities is a State priority with additional state funding of \$188,000 for this mandated program. The total number of Children estimated to be served is increased by 87 to 964.

STRATEGIC BUDGET INITIATIVES

In these uncertain economic times with limited resources, we must continue to make prudent fiscal management priority decisions to invest wisely in our future and slow the growth of government.

- A new shared dispatch operation will locate at a new Communications center to provide combined dispatch and call taking services. This new division has been placed in the Public Works department with a transition year operating budget at about \$197,000. By combining the Sheriff and (currently 29 communities) police, fire, emergency medical and public works dispatch operations into a single center, services will be more efficient and cost effective. The plan is for the center to be ready for providing service in 2004. The major benefits identified include direct cost savings for participating municipalities and their taxpayers along with technologically advanced and efficient facilities including a new Computer Aided Dispatch (CAD) and records management software systems. To work on implementation of this critical initiative, contracted positions (starting at various quarters in 2003) include a Communication Center Operations manager, a Training coordinator, and a Senior Information System Professional.

- The Criminal Justice Coordinating Taskforce recommended and the County Board established a Criminal Justice Collaboration Council to carry out analysis/special studies and to recommend and implement comprehensive changes aimed at controlling jail inmate population growth. The Council is provided with budget appropriations totaling \$206,800 and additional county tax levy funding of \$100,000 to begin contracting for services that address front end and aftercare monitoring services to help reduce recidivism.
- The County Board passed a resolution and subsequent ordinance to sell the historic Courthouse annex to the County Historical Society approving a ten year contract (grant providing) agreement. Consistent with the terms of the agreement, the Parks and Land Use budget continues to provide a \$215,000 program grant to assist in running the day-to-day program operations of the museum. The Public Works budget provides \$225,000 for a building operation grant to maintain the facility. In addition, \$235,000 is budgeted in the non-departmental budget for one-time capital expenditures in the facility to be made by the Historical Society. The City of Waukesha will issue general obligation bonds to fund most of the major renovation and rehabilitation to the building. In the future, grants to the Historical Society, including an annual capital grant reimbursement to the City over 10 years will be budgeted in the Parks and Land Use (program grant) and Non-Departmental (all other grants) budgets.
- The County's Land Information Systems (LIS) budget includes expenditure appropriation of \$473,000 funded with LIS fees and State Land Information Board grants. It includes the creation of one Land Information Mapping Technician position to respond to Information requests from the general public and County staff and will provide data integration activities and file maintenance of the Geographic information system.

To meet funding priorities, other services are reduced and/or restructured to meet budget objectives.

- Transit Services eliminates one New Berlin route (302) due to the low amount of riders and the resulting high costs (about \$24.50) per passenger trip. The next highest transit route is estimated at \$18.80 per passenger trip for 2002. This route was instituted as a trial route with Congestion Mitigation Air Quality (CMAQ) grant funding. This change will reduce spending by nearly \$410,000 and property tax levy is reduced by \$126,000. Also, the County is seeking competitive proposals to administer and operate the Transit program contracts at no more than the adopted tax levy amount for those purposes.
- Over a year ago, the D.A.R.E. Taskforce recommended that funding decisions for the program be made at the local (municipal or school district) level and for the County to discontinue tax levy funding for the program beginning the fall semester of 2002. For the 2003 budget, the remaining expenditures and tax levy are reduced in the Non-departmental budget by \$140,000. This discontinues reimbursement payments to municipalities not served by the Sheriff's department that provide D.A.R.E. core program instruction. Also, the Sheriff's department budget was reduced approximately \$45,000 for a half year of operational cost and related overtime that remained to complete the spring 2002 semester classes.
- The Sheriff's budget is also reduced for out of county prisoner placements and related transportation costs by \$100,000. It is anticipated that there will be less need for out of County inmate placements in 2003 as more cell space will be available due to holding less federal and state inmates.
- The UW Extension base budget for 2003 was reduced by \$85,000, for the full year impact of the approved 2002 mid-year base budget reductions. The expenditures reductions include discontinuing a contracted UW extension agent and a reduction of clerical help in the youth and family program.

INFRASTRUCTURE INVESTMENTS AND MANAGING DEBT

The County continues to prudently plan for its infrastructure needs and manage its debt financing carefully to protect its Aaa/AAA Bond ratings. The Capital Projects 2003-2007 plan focuses on the Justice, Public Safety and Highway projects. Highway projects comprise over half (52.5%) of project plan expenditures with the Jail Facility, and the Communication Center requiring about one-third of the project plan expenditures.

Capital project spending in the 2003 budget year is at \$29,638,300 an increase of \$2,768,612. Key Capital projects with associated budget funding are as follows:

- ◆ On-going funding in 2003 for 25 existing projects totals nearly \$26.6 million or almost 90% of the adopted capital budget. This includes \$17.0 million for new building construction. The Justice Facility project at \$8.3 million provides funding to begin construction in 2003 for the planned Jail expansion opening of 278 additional cells set for mid-2005. This will provide a net 164 cells after the old main jail with 114 cells is demolished in 2007. This project has been reduced by \$750,000 as the result of a lower than budgeted architect and engineering contract for the project. The construction and equipment purchase phase for the new Communication Center project scheduled to open in 2004, is planned at \$6.1 million in 2003. A project to expand Retzer Nature Center for \$1.2 million, includes adding meeting, program and presentation rooms, and also includes a partnership with the Waukesha School district for the construction of new planetarium which is expected to be funded by donations. Also, final year funding of \$1.4 million for renovations to UW-Waukesha Southview Hall are in this budget.
- ◆ The 2003 capital budget includes \$8.6 million for highway projects. Major road projects include a rehabilitation of County Trunk Highway (CTH) ES (Main Street), in the Village of Mukwonago with final year funding at \$2.6 million; The widening of CTH J (Pewaukee Road) in the City of Pewaukee to four lanes from Rockwood Drive to Capitol Drive with \$850,000 provided in 2003 and plans for the remaining funding of \$833,000 in 2004. The Highway repaving program is funded at over \$2.0 million to repave approximately 20 miles of roadway. The budget includes \$655,000 for bridge reconstruction at the intersection of Calhoun Road and CTH I (Beloit Road). Also, \$300,000 is budgeted in addition to prior year capital funding for reconstruction of CTH L (Janesville Road) in the City of Muskego. This project is planned to widen Janesville Road to 4 lanes for a 2.3 mile segment from Highway O (Moorland Road) to the County Line (124th Street).
- ◆ Eleven new projects add \$2.0 million to the 2003 budget. These projects include \$1.1 million for three intersection improvements to provide safer roadway conditions; and two Information systems projects; and four building projects which adds \$635,000. The building projects include; a boiler replacement at the Northview Facility; an energy management system at the Human Service Center; a transformer switch upgrade and lower Northview hall renovation at UW-Waukesha; and a computerized maintenance system for Public Works Building operations. These investments are expected to provide a rapid return on investment from utility and maintenance cost savings. A new project to address security and public safety at the courthouse and administration center is budgeted for the first phase at \$60,000 in 2003 and followed by \$60,000 planned for 2004. In addition, an airport environmental assessment project costing \$330,000 is added. It is planned to be funded with 90% FAA funding (\$296,800), 5% State funding (\$16,600) and 5% County levy (\$16,600).

- ◆ The 2003 Capital budget is funded with revenues totaling \$4,650,869, which mainly consists of continuing state mandate relief funding of \$1.3 million and state funding estimated at \$1.1 million for the technology equipment exemption from personal property tax base. Transportation related funding from a combination of federal, state and local sources provides slightly over \$1.3 million and other project related revenues of about \$900,000.
- ◆ Fund balance appropriations of \$5,583,125 includes \$2.0 million for a new communications center, and \$1.1 million of jail assessment fee revenues and \$240,000 of Federal prisoner revenues which are both reserved in prior years for the jail project. Capital project fund balance of \$1.2 million, (including \$800,000 from spending reductions made in 2002) are appropriated to fund projects.
- ◆ Also, Proprietary fund balance of almost \$1.0 million includes \$700,000 of Internal Service fund retained earnings which funds three technology projects and \$192,000 of golf course retained earning for one golf course project.
- ◆ In addition, other major project funding includes debt borrowing of \$13.5 million; investment income on the borrowed funds of \$755,000 and a tax levy down payment of \$5,149,306. The tax levy amount budgeted for capital projects decrease \$456,382 from the 2002 budget and funds 26.5% of net expenditures (after revenues and fund balances are applied). This continues to exceed the policy of a minimum of 20% levy effort for net capital project funding.
- ◆ The 2003 capital projects require an increase in total debt service tax levy of \$175,476. The debt service budget proposed for 2003 continues to be well within compliance of the State's imposed levy rate constraints on counties. The Debt service expenditure to total governmental operating expenditure ratio is maintained below 7% in 2003 and estimated to continue below 7% in future years based on the 5 year capital and debt service plans. This is well below the County's performance measure benchmark of less than 10%. This budget continues prudent debt management and capital budgeting policies and practices to maintain the County's coveted Aaa/AAA bond ratings which helps lower borrowing costs to the taxpayers.

ACKNOWLEDGEMENTS

This budget represents our County's on-going ability to perform with integrity. We will continue to lead the way with strategic long term planning, strong financial management, program cost budgeting which focuses on results including outcome based objectives, and performance measurement to provide quality and efficient services, while continuing efforts to limit the growth of County government.

Sincere appreciation is extended to department administrators and staff for their extra effort in developing this challenging budget. All these effort, and the thorough review and approval by the County Board of Supervisors, are sincerely appreciated.

Norman A. Cummings, Director of Administration

Keith K. Swartz, Budget Manager